

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee Members
FROM Carolyn Kampman, JBC Staff Director
DATE March 30, 2021
SUBJECT Clarification of Fiscal Impact of OSPB Cash Fund Solvency Proposal

Last Friday, the Committee approved a motion by Senator Moreno to authorize a JBC bill draft and to set aside \$3.1 million General Fund for that bill. This bill was requested as part of the Governor's November 2020 budget proposal. **The purpose of the bill is to smooth out the revenue cycles for certain cash funds and avoid unnecessary fee increases.** Senator Moreno authorized Ed DeCecco and me to discuss this proposed legislation with OSPB staff. I prepared a memo dated March 2, 2021 that outlined the purpose and scope of the bill. This memo was distributed to JBC members last Friday, prior to Senator Moreno's motion.

I realized today that the motion did not cover the full fiscal impact of OSPB's proposal. The JBC approved the \$3.1 million General Fund set aside for this portion of the proposal:

- Transfer \$3.1 million General Fund to a new cash fund that would be available for the State Controller to lend funds to avoid a deficit balance in cash funds. The bill would require that future revenues to each fund be used to repay the General Fund, with interest, within a specified period of time. This process would be similar to an existing process used by the State Controller when a cash fund goes into deficit. The \$3.1 million is based on estimated FY 2021-22 shortfalls in three cash funds:
 - *Licensing Services Cash Fund* [Section 42-2-114.5 (1), C.R.S.] This fund consists of fees collected by the Department of Revenue for activities related to the issuance of drivers' licenses, identification cards, vehicle registrations, and other operational activities.. Department staff project that the balance of this fund will fall \$2,500,000 below the amount needed to support expenses in FY 2021-22.
 - *Liquor Enforcement Division and State Licensing Authority Cash Fund* [Section 44-6-101, C.R.S.] This fund consists of money collected by the Department of Revenue for activities related to liquor licensure and enforcement. Department staff project that the balance of this fund will fall \$500,000 below the amount needed to support expenses in FY 2021-22.
 - *Health Facilities General Licensure Cash Fund* [Section 25-3-103.1 (1), C.R.S]: This fund consists of fees collected by the Department of Public Health and Environment for activities related to licensing and enforcing standards for the operation of general hospitals, hospital units, freestanding emergency departments, psychiatric hospitals, community clinics, and other types of health facilities. Department staff project that the balance of this fund will fall \$100,000 below the amount needed to support expenses in FY 2021-22.

The JBC has not yet approved two additional set asides associated with this portion of the proposal:

- The *Marijuana Cash Fund (MCF)* [Section 44-10-801 (1)(a), C.R.S.] This fund receives all money collected by the Department of Revenue for activities related to regulating and controlling the licensing of cultivation, manufacture, distribution, and sale of medical and retail marijuana. Department staff project that the balance of this fund will fall \$3.0 million below the amount needed to support expenses in FY 2021-22.

Background Information Concerning State Reserves
March 30, 2021

- Since July 2019, the General Assembly has authorized three transfers from this fund, reducing available revenues by a total of \$3,405,317. These transfers included a total of \$1,805,317 transferred to the Marijuana Tax Cash Fund (MTCF), and \$1,600,000 transferred to the General Fund.
- In order to avoid a deficit in this fund during FY 2021-22, **the bill would transfer \$1,805,317 from the MTCF back to the MCF, and transfer \$1,200,000 from the General Fund back to the MCF.** This would increase available fund revenues by \$3,005,317.